

## 2017 Performance Incentive Awards Methodology Overview

### Project Overview

Virginia Department of Medical Assistance Services (DMAS) contracted with Health Services Advisory Group, Inc. (HSAG) to establish, implement, and maintain a scoring mechanism, for the managed care Performance Incentive Awards (PIA) Program. For the PIA, Medicaid Managed Care Organizations' (MCOs') performance is evaluated on three administrative measures and three Health Care Effectiveness Data and Information Set (HEDIS<sup>®</sup>) measures.<sup>1</sup> HSAG is responsible for collecting MCOs' validated administrative and audited HEDIS measure rates, deriving PIA scores for each measure, and calculating the quality awards or penalties for each MCO. The following sections provide the PIA calculation methodology for FY 2017. This methodology incorporates measure scoring guidelines presented in the *Virginia Medicaid and FAMIS Performance Incentive Awards (PIA) Program Technical Specifications, Version 2.0*.

### Performance Measures

DMAS selected the following three administrative measures for the PIA program:

- *Assessments of Foster Care Population*
- *MCO Claims Processing*
- *Monthly Reporting Timeliness and Accuracy*

DMAS selected the following three HEDIS measures for the PIA program:

- *Childhood Immunization Status—Combination 3*
- *Controlling High Blood Pressure*
- *Prenatal and Postpartum Care—Timeliness of Prenatal Care*

### Population

The PIA assesses Medicaid MCOs' performance based on both the Virginia Family Access to Medical Insurance Security (FAMIS) and Medallion 3.0 populations. The PIA results and the measure rates used to derive the PIA results are combined for the FAMIS and Medallion 3.0 programs.

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<sup>1</sup> HEDIS<sup>®</sup> is a registered trademark of the National Committee for Quality Assurance (NCQA).

## Performance Period

In 2017, Medicaid MCOs will be subject to quality awards or penalties based on measure rate performance. Table 1 summarizes the measurement periods for each PIA measure in FY 2017 (i.e., July 1, 2016 – June 30, 2017).

**Table 1—PIA Measurement Periods for FY 2017**

Measure	Measurement Period
Administrative Measures	
Assessments of Foster Care Population	July 1, 2016 – June 30, 2017
MCO Claims Processing	
Monthly Reporting Timeliness and Accuracy	
HEDIS Measures	
Childhood Immunization Status—Combination 3	January 1, 2016 – December 31, 2016
Controlling High Blood Pressure	
Prenatal and Postpartum Care—Timeliness of Prenatal Care	

## Data Collection

### Administrative Measures

HSAG is responsible for validating two administrative PIA measures, *Assessments of Foster Care Population* and *MCO Claims Processing*. These measure rates are calculated and validated internally by HSAG’s audit staff. HSAG performs validation in accordance with the External Quality Review (EQR) protocol for performance measure validation (PMV), which HSAG performs under Task G.2 (Performance Incentive Measures Validation). Following validation, HSAG provides the true audited rates for two administrative measures to DMAS. DMAS is responsible for validating monthly rates for the third administrative measure, *Monthly Reporting Timeliness and Accuracy*, and HSAG calculates each MCO’s annual rate for this measure using DMAS’ validated monthly rates.

### HEDIS Measures

The HEDIS Interactive Data Submission System (IDSS) files for the HEDIS measure rates for the PIA calculation will be audited as required by the National Committee for Quality Assurance (NCQA). The auditor-locked IDSS files containing the HEDIS measure rates will be provided to HSAG by the MCOs.

## PIA Calculation

The following sections provide a detailed description and examples of the PIA scoring and funds allocation model that will be used in 2017. In the Appendix, a flow diagram is provided to illustrate this process.

### Scoring Model

With receipt of validated administrative and audited HEDIS measure rates, each measure will be scored and weighted appropriately prior to calculating the quality awards or penalties for each MCO. Measure rates with a “*Reportable (R)*” audit result (i.e., the plan produced a reportable rate for the measure in alignment with the technical specifications) will be included in the PIA calculation. Measure rates with a “*Not Reportable (NR)*” audit result (i.e., the plan produced a rate that was materially biased, or the plan chose not to report the measure) will receive a score of zero. Only MCOs that have enough members for reporting HEDIS scores to NCQA will be included in the PIA.

If an MCO does not have a sufficient number of members in the denominator (i.e., 30 members) reported for any of the three HEDIS measures, the MCO will not be included in the PIA. However, if an MCO’s HEDIS rates are not included in the PIA calculation, the administrative measures will still be subject to PMV.

### Measure Scoring

Table 2 presents the possible scores for each PIA administrative measure based on MCOs’ performance. Exact percentages will be used with no rounding, and no scores will be dropped.

**Table 2—PIA Administrative Measure Scoring**

Criteria	Score
<b>Assessments of Foster Care Population</b>	
MCO final annual percentage $\geq 85\%$	3
MCO final annual percentage $\geq 60\%$ and $< 85\%$	2
MCO final annual percentage $\geq 40\%$ and $< 60\%$	1
MCO final annual percentage $< 40\%$	0
<b>MCO Claims Processing—Annual Rate</b>	
MCO meets all standards for every month (i.e., 36 total) during the annual reporting period	3
MCO meets between 33 and 35 standards (out of 36 total) during the annual reporting period	2
MCO meets between 30 and 32 standards (out of 36 total) during the annual reporting period	1
MCO meets fewer than 30 standards (out of 36 total) during the annual reporting period	0

Criteria	Score
<b>Monthly Reporting Timeliness and Accuracy*</b>	
MCO annual average is $\geq 91$	3
MCO annual average is $\geq 81$ and $< 91$	2
MCO annual average is $\geq 71$ and $< 81$	1
MCO annual average is $< 71$	0

*\*Please note, this measure does not require HSAG validation. HSAG will obtain measure results from DMAS.*

Scoring for HEDIS measures will be based on both current performance and improvement from the prior year. The current performance scores (i.e., FY 2017) will be determined by comparing the 95 percent confidence interval, obtained from the IDSS file, for each HEDIS measure to the Quality Compass 50th percentile for the Medicaid health maintenance organization (HMO). A maximum of two points will be awarded for current performance. Improvement scores will be determined by comparing HEDIS rates from the prior year to the HEDIS rates for the current year for each MCO using a t-test to determine if the MCO significantly improved. An improvement point can also be awarded if an MCO performed above the Medicaid HMO Quality Compass 90th percentile for the current year and prior year. If it is the MCO's first year reporting data, then the MCO will receive one improvement point if the current year score is above the Medicaid HMO Quality Compass 90th percentile. A maximum of one point will be awarded for improvement. If an MCO does not have a reportable rate (i.e., either "NA" or "NR") for the prior year, then the plan will not be eligible for improvement points. DMAS will determine if Medicaid HMO Quality Compass comparisons are appropriate each year when the HEDIS technical specifications are released. If NCQA significantly changes the technical specifications for the HEDIS measures, then PIA scores will not be compared from the current year to the prior year (i.e., improvement points may not be awarded).

Table 3 presents the possible scores for each PIA HEDIS measure based on MCOs' performance for the current year and improvement from the prior year. Exact percentages will be used with no rounding, and no scores will be dropped.

**Table 3—PIA HEDIS Measure Scoring**

Criteria	Score
<b>Childhood Immunization Status—Combination 3</b>	
<b>Performance Score</b>	
MCO 95 percent confidence interval is entirely above the Medicaid HMO Quality Compass 50th percentile	2
MCO 95 percent confidence interval encompasses the Medicaid HMO Quality Compass 50th percentile	1
MCO 95 percent confidence interval is entirely below the Medicaid HMO Quality Compass 50th percentile	0
<b>Improvement Score</b>	

Criteria	Score
The MCO shows a statistically significant improvement from the prior year <b>OR</b> the MCO is high performing (i.e., above the Medicaid HMO Quality Compass 90th percentile) in both years*	1
The MCO did not show a statistically significant change between years or declined	0
<b>Controlling High Blood Pressure</b>	
<b>Performance Score</b>	
MCO 95 percent confidence interval is entirely above the Medicaid HMO Quality Compass 50th percentile	2
MCO 95 percent confidence interval encompasses the Medicaid HMO Quality Compass 50th percentile	1
MCO 95 percent confidence interval is entirely below the Medicaid HMO Quality Compass 50th percentile	0
<b>Improvement Score</b>	
The MCO shows a statistically significant improvement from the prior year <b>OR</b> the MCO is high performing (i.e., above the Medicaid HMO Quality Compass 90th percentile) in both years*	1
The MCO did not show a statistically significant change between years or declined	0
<b>Prenatal and Postpartum Care—Timeliness of Prenatal Care</b>	
<b>Performance Score</b>	
MCO 95 percent confidence interval is entirely above the Medicaid HMO Quality Compass 50th percentile	2
MCO 95 percent confidence interval encompasses the Medicaid HMO Quality Compass 50th percentile	1
MCO 95 percent confidence interval is entirely below the Medicaid HMO Quality Compass 50th percentile	0
<b>Improvement Score</b>	
The MCO shows a statistically significant improvement from the prior year <b>OR</b> the MCO is high performing (i.e., above the Medicaid HMO Quality Compass 90th percentile) in both years*	1
The MCO did not show a statistically significant change between years or declined	0

*\*If it is the MCO's first year reporting data, then the MCO will receive one improvement point if the current year score is above the Medicaid HMO Quality Compass 90th percentile.*

## Measure Weighting

Once measure scores are derived for each MCO, then appropriate measure weights will be applied as depicted in Table 4.

**Table 4—PIA Measure Weighting**

Measure	Measure Weight
<b>Administrative Measures</b>	
<i>Assessments of Foster Care Population</i>	12%
<i>MCO Claims Processing</i>	12%
<i>Monthly Reporting Timeliness and Accuracy</i>	10%
<b>HEDIS Measures</b>	
<i>Childhood Immunization Status—Combination 3</i>	22%
<i>Controlling High Blood Pressure</i>	22%
<i>Prenatal and Postpartum Care—Timeliness of Prenatal Care</i>	22%

Using the table above, weighted scores will be calculated for each measure, and then each MCO's sum total of weighted scores will be determined. Table 5 provides an example of how MCOs' weighted score sum, Virginia average, and difference from the average scores are derived. There are currently six MCOs eligible for the PIA calculation; however, adding or subtracting MCOs from the calculation would not change or affect the methodology used, and the total dollar amount for awards will always be equal to the total dollar amount for penalties ensuring budget neutrality for DMAS. For ease of reference, the following example only includes three MCOs. Also, all data presented in the table below do not represent actual data or results.

**Table 5—PIA Measure Weighting and Calculation**  
**EXAMPLE USING MOCK DATA**

	Measure Weight	MCO A Measure Scores	MCO A Weighted Score (MCO Score × Measure Weight)	MCO B Measure Scores	MCO B Weighted Score (MCO Score × Measure Weight)	MCO C Measure Scores	MCO C Weighted Score (MCO Score × Measure Weight)
<b>Administrative Measures</b>							
<i>Assessments of Foster Care Population</i>	12%	2	0.24	3	0.36	1	0.12
<i>MCO Claims Processing</i>	12%	2	0.24	2	0.24	0	0.00
<i>Monthly Report Timeliness and Accuracy</i>	10%	1	0.10	3	0.30	3	0.30
<b>HEDIS Measures</b>							
<i>Childhood Immunization Status—Combination 3*</i>	22%	2/1	0.66	2/1	0.66	0/0	0.00
<i>Controlling High Blood Pressure*</i>	22%	1/1	0.44	2/1	0.66	1/0	0.22
<i>Prenatal and Postpartum Care—Timeliness of Prenatal Care*</i>	22%	1/1	0.44	1/0	0.22	0/0	0.00
<b>Calculations</b>							
Weighted Score Sum			2.12		2.44		0.64
Virginia Average			1.733		1.733		1.733
Difference from Average			0.387		0.707		-1.093

\*For the HEDIS measure scores, the first number represents the points awarded for performance, and the second number represents the points awarded for improvement.

The Virginia average is calculated by summing each MCO's weighted score sum and dividing by the total number of MCOs. For example, the Virginia average in Table 5 is equal to 1.733. Once the Virginia average is derived, then it is used to determine each MCO's difference from the average. For example, the Virginia average (i.e., 1.733) is subtracted from MCO A's weighted score sum of 2.12 to derive 0.387 as MCO A's difference from the average. The difference from average can be a positive or negative number (e.g., 0.387 for MCO A and -1.093 for MCO C in Table 5) indicating if the MCO's weighted score sum is above (positive) or below (negative) the Virginia average.

### Funds Allocation Model

The positive or negative funds allocation model will use the MCO's weighted score sum to allocate funds among MCOs. In addition, the funds allocation model was developed to ensure the total dollar amount for awards will always be equal to the total dollar amount for penalties to ensure budget neutrality for DMAS.



## Percentage Award/Penalty

The MCO's weighted score sum is used to determine the Percentage Award/Penalty for each MCO. If an MCO's weighted score sum is above or below the Virginia average, it is awarded or penalized, respectively. If an MCO's weighted score is equal to the Virginia average, then there will be no award or penalty. The amount of the award or penalty is independent of the Virginia average, and is instead based on the percentage of the Max Possible Score (i.e., the highest possible measure score = 3) an MCO achieved.

If an MCO's difference from the Virginia average calculation is positive, then the MCO's Percentage Award is calculated by the following equation:

$$\text{Percentage Award} = \text{Weighted Score Sum} \div \text{Max Possible Score}$$

Table 6 below demonstrates an example of the funds allocation model using the same three MCOs presented in Table 5. All data presented in the table below do not represent actual data or results.

**Table 6—PIA Funds Allocation**  
**EXAMPLE USING MOCK DATA**

MCO Name	Total Capitation Payment	Maximum At-Risk Amount (Total Capitation Payment × 0.15%)	Percentage Award/Penalty	Max Award/Penalty	Max Award	Max Penalty	Final Award	Final Penalty
MCO A	\$635,790,000.00	\$953,685.00	70.67%	\$673,937.40	\$673,937.40	-	\$275,660.64	-
MCO B	\$436,300,000.00	\$654,450.00	81.33%	\$532,286.00	\$532,286.00	-	\$217,720.96	-
MCO C	\$418,120,000.00	\$627,180.00	-78.67%	\$(493,381.60)	-	\$(493,381.60)	-	\$(493,381.60)
Sum					\$1,206,223.40	\$(493,381.60)	\$493,381.60	\$(493,381.60)

For example, according to Table 5, MCO B has a weighted score sum of 2.44. For MCO B, the percentage award is equal to 2.44 divided by 3. This means MCO B has an 81.33 percent award (i.e., the MCO is eligible to receive 81.33 percent of their maximum at-risk amount as an award), as shown in Table 6. If an MCO's difference from the Virginia average calculation is negative, then the MCO's Percentage Penalty is calculated by the following equation:

$$\text{Percentage Penalty} = (\text{Weighted Score Sum} - \text{Max Possible Score}) \div \text{Max Possible Score}$$

For example, according to Table 5, MCO C has a weighted score sum of 0.64. MCO C's percent penalty is equal to 0.64 minus 3 divided by 3. This means MCO C has a 78.67 percent penalty (i.e., the MCO could be penalized at up to 78.67 percent of their maximum at-risk amount), as shown in Table 6.



Once the Percentage/Award Penalty is determined, then the result is multiplied by the maximum at-risk amount (0.15% multiplied by the total capitation payments). This calculation determines the MCO's maximum award (Max Award) or maximum penalty (Max Penalty). Please note, the total capitation payment will be determined approximately 4 months after the end of FY 2017 (i.e., October 2017) in order to allow for 3 months of claims run-out.

The data in Table 6 demonstrates how the MCO's Max Award or Max Penalty are calculated. If the total capitation payment amount for MCO B is approximately \$436,000,000, then  $\$436,000,000 \times 0.15\% \times 81.33\%$  is approximately \$532,000. This means MCO B has a Max Award of approximately \$532,000. If the total capitation payment amount for MCO C is \$418,000,000, then  $\$418,000,000 \times 0.15\% \times (-78.67\%)$  is approximately -\$493,000. This means MCO C has a Max Penalty of approximately \$493,000.

### Final Award

If the Max Award amounts exceed the Max Penalty amounts, then the penalties do not fully fund the awards and excess awards will need to be reduced to achieve budget neutrality. In the event that awards are reduced, each MCO will receive an award that is the same percentage of the new reduced amount as they would have received had the full award amount been budget neutral. To achieve this, the reduction is calculated by the following equation:

$$MCO \text{ Final Award} = (Max \text{ Penalty Total} \div Max \text{ Award Total}) \times MCO \text{ Max Award}$$

In the example provided in Table 6, the penalties do not fully fund the awards for MCO A and MCO B. As a result, the award for both MCO A and MCO B has to be reduced in order to ensure the Max Penalty Sum is able to fund the Max Award Sum. For this example, MCO B's Final Award would be calculated as:

$$MCO \text{ B Final Award} = [(\$493,381.60 \div \$1,206,223.40)] \times \$532,286.00$$

MCO B's final award is equal to \$217,720.96. The same equation is used to calculate MCO A's final award, which is equal to \$275,660.64. The calculation of the final award ensures that the awards are equal to the penalties.

### Final Penalty

If the Max Penalty amounts exceed the Max Award amounts, then the awards do not fully claim the penalties and excess penalties will need to be reduced to achieve budget neutrality. In the event that penalties are reduced, each MCO will have a penalty that is the same percentage of the new reduced amount as they would have received had the full penalty amount been budget neutral. To achieve this, the reduction is calculated by the following equation:

$$MCO \text{ Final Penalty} = (Max \text{ Award Total} \div Max \text{ Penalty Total}) \times MCO \text{ Max Penalty}$$

Although the example in Table 6 does not demonstrate a situation when the awards are less than the penalties, the same principles would apply if the penalties are less than the awards.

## **FY 2017 Evaluation**

For FY 2017, percentage award/penalty will impact payment, and MCOs will be subject to quality awards or penalties. DMAS will collect quality awards or penalties from each MCO between December 2017 and February 2018. Preliminary results (including the dollar amounts for awards and penalties) will be provided to MCOs in December 2017 for feedback and questions.

## **Deliverables**

HSAG will provide DMAS with the following deliverables:

- PIA Comprehensive Annual Results Report (Microsoft Word document) containing PIA scores and calculated award/penalty amounts for all MCOs.
- MCO-specific Annual Results Reports (Microsoft Word documents) containing PIA scores and calculated award or penalty amounts for each MCO.
- Funds Allocation Excel spreadsheet containing PIA scores and the calculations for the award/penalty amounts for each MCO.

## Appendix—PIA Flow Diagram

### PIA Flow Diagram

The following figure presents an overview of the PIA calculation process.

